



THE CITY OF SAN DIEGO **MANAGER'S REPORT**

DATE ISSUED: June 8, 2001 REPORT NO. 01-126

ATTENTION: Land Use and Housing Committee
Agenda of June 13, 2001

SUBJECT: Planning Issues Regarding Big Box Retail

REFERENCE: Manager's Report 00-205

SUMMARY

Issue - What are the planning issues regarding big box retail, particularly in reference to the San Diego County Taxpayers Association analysis of the report "*The Impact of Big Box Grocers on Southern California: Jobs, Wages and Municipal Finances*"?

Manager's Recommendation - This is an informational report; no action is recommended.

Other Recommendations - None.

Fiscal Impact - None.

BACKGROUND

This report summarizes land use issues raised by big box development, particularly in response to a report issued by the San Diego County Taxpayers Association (SDCTA). SDCTA contracted with Rea & Parker Research to evaluate the accuracy and applicability to San Diego of a report by Marlon Boarnet, Ph.D. and Randall Crane, Ph.D. entitled "*The Impact of Big Box Grocers on Southern California: Jobs, Wages and Municipal Finances*." The report is in anticipation of supercenter retail seeking to begin operations in San Diego. Supercenters combine discount retail with grocery items in one structure consisting of up to 250,000 square feet of retail space. The report focuses on the economic and fiscal impacts of the replacement of grocery workers with their higher pay and benefits with discount retail workers, but also addresses land use ramifications.

There have been several planning issues raised over the last several years related to big box development. These principally involve design, land use, and economic issues. While the SDCTA report focuses on the potential economic and fiscal impacts in anticipation of the new supercenters, the land use issues addressed are similar to those seen with big box development. Design issues are not addressed in the study.

DISCUSSION

The Planning Commission held workshops in 1996 to address big box retail issues. Their initial concern was related to design. The size and automobile orientation of these centers does not fit into many neighborhoods and ran counter to efforts to promote transit-oriented development. These workshops led to new commercial development standards as part of the Land Development Code related to the orientation of parking lots.

Another issue reviewed by the Planning Commission was the effect of big box centers on competing land uses. While big box centers are popular due to their discount pricing, they tend to drive smaller retailers out of business. The result is that customers must drive, and drive increasing distances, as there are larger but fewer retail outlets.

Supercenters

The new generation supercenters discussed in the SDCTA report are not only larger but include groceries. Current big boxes such as Wal-Mart, K-Mart, and Target are moving in this direction. Each could abandon their current big box center locations, which often include a separate grocery store, to open a supercenter. The grocery store and small shops then struggle to survive, according to the SDCTA report. The supercenters tie together a traditionally more stable grocery industry with a more volatile retail sector, thus making the availability of groceries to a community less certain. Where the advent of big box centers has left failing neighborhood centers, supercenters may leave abandoned big box centers with the increased potential for blight.

The City of Los Angeles recently addressed the supercenter issue. The original proposal was to adopt an earlier statewide proposal to limit the amount of grocery sales permitted in big box retail stores. The City of Los Angeles Planning Department responded with a proposal to instead implement design regulations. City of San Diego staff has requested information on the Los Angeles program and will be prepared to discuss it at the June 13 workshop.

The Recent San Diego Experience

In San Diego, smaller neighborhood and community retail centers ranging roughly in age from 30-50 years are declining and closing. With a strong residential market, they are sometimes replaced with apartment projects, retaining little or no retail services for the local community. One such proposal is to replace Serra Mesa's Mission Village Shopping Center with

predominantly residential use. This center lies nearly abandoned after a Wal-Mart/Vons center opened in nearby Stonecrest. Another is a neighborhood commercial center in Navajo now being redeveloped to residential use.

Strategic Framework

It is pointed out in the SDCTA report that supercenters are the antithesis of what is being sought by smart growth and transit-oriented development by turning “away from Main Street retailers and toward large suburban sprawl types of retail developments which depend exclusively on the automobile.” The City's draft Strategic Framework Element City of Villages, a proposed amendment to the Progress Guide and General Plan, relies heavily upon smart growth and transit-oriented development. Villages are characterized by a mixture of uses and a pedestrian oriented neighborhood. Supercenters do not fit well into this concept by disrupting the pedestrian orientation of the village, discouraging a mixture of uses, and drawing grocery and retail business away from neighboring villages. In urbanized communities, the principal issue is design; the size and automobile orientation of these developments disrupts the pedestrian oriented character of many of the neighborhoods. In urbanizing communities, land use is more of an issue; while pedestrian orientation is still a concern, the introduction of mixed-use development to these more auto-oriented communities with generally segregated uses is a greater goal.

The Strategic Framework Element is scheduled for hearings late this year. Presented with it will be a proposed five-year action plan, which will include the preparation of code and policy revisions to implement the Strategic Framework Element. Methods to address big box and supercenter development have not yet been devised.

Respectfully submitted,

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SGG/JW